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The power of Amercia's  
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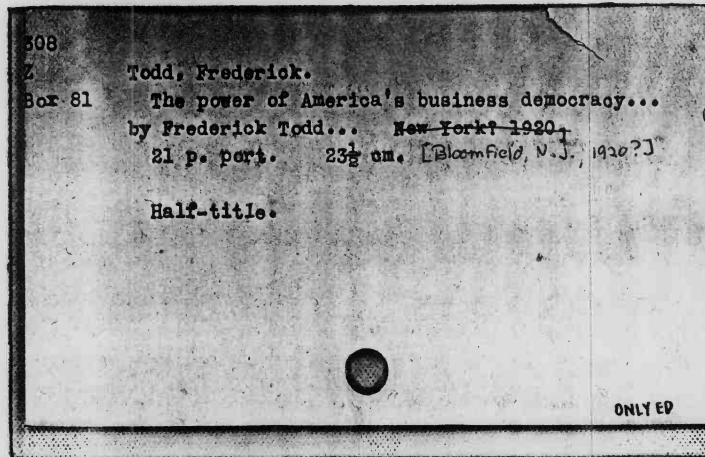
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# THE POWER OF AMERICA'S BUSINESS DEMOCRACY

Under Germany's Imperial Government German business interests were co-ordinated into a national organization of industry and commerce for strength in international competition. Some ideas are here suggested for the voluntary co-ordination of America's individual interests under institutional leadership for the intense international struggle ahead of us.

By

FREDERICK TODD

Editor of "The Americas"  
from its Inception in 1914  
until February, 1920

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*Mr. Vanderlip's Warning*  
*A Forecast of What America Can Do*  
*Institutional Leadership*  
*"Tying in" Finance with Enterprise*  
*Our "Economic Illiteracy"*

## Mr. Vanderlip's Warning

4 May 1920 J.W.  
M. R. FRANK A. VANDERLIP, who is regarded by many eminent men as America's preeminent economist banker, and is certainly our most generously advertised financial leader, made a notable address to the Economic Club of New York at the Hotel Astor on the night of February 25. In this speech he reiterated the admonition to the people of this country, which has been the burden of much previous public statement by Mr. Vanderlip—the warning about our national shortcomings in the way of "economic illiteracy" and blindness to economic fact. He had most prominently in mind, however, the situation as he sees it in Europe, and our failure, as he sees it, to play the great rôle of savior in the reorganization of Europe's social and economic chaos.

The Administration at Washington and Congress were "arraigned" impartially and unsparingly for their deadlock of obstinacy vs. willfulness—the indulgence, as he sees it, of selfish political purposes in the face of an international crisis in which this nation has grave responsibilities. The financial management of the Federal Reserve System came in for sharp criticism in connection with Mr. Vanderlip's reference to our domestic credit situation, the country's resources of credit having been permitted to be used so lavishly in ways which have intensified the difficulties of conducting international operations.

Out of Mr. Vanderlip's speech, as quoted next day in the newspapers, I take the following outstanding statements. The last sentence, with the words underscored, seems to include in its criticism the non-political leadership among the country's bankers and others in positions of financial responsibility to the business community:

*The world will never be safe for democracy until democracy is intelligent.*

*It is now high time to look forward to constructive policies. But it is idle to propose constructive policies if they are to stand on a foundation of sand, a foundation of misconception, ignorance and prejudice. . . .*

*If we as a people had understood the full import of this world crisis, we should have demanded from the Administration intelligent information and authoritative leadership; we should have demanded of Congress that the men who occupied time on the floors of both houses should show some comprehension of the existing facts of the economic life of the world. We should have demanded of financial*

leaders evidence of an understanding of America's financial responsibility to act in the direction of safeguarding our own credit situation, that we might play our rightful rôle in world affairs.

The words are remarkably suggestive. They come with the imprint of Mr. Vanderlip's authority. Of course Mr. Vanderlip used them to fit certain definite things he had in mind. But the Supreme Court often takes a clause in the Constitution, and gives the words a meaning that applies to affairs entirely different from what "the Fathers" had in mind when they wrote. Those words of Mr. Vanderlip's have in them a vigorous suggestion of facts that apply to a much wider range of circumstances than he may have specifically intended them for. They suggest by antithesis the creed of inspiration for an American business democracy in which the economic intelligence of keen brains among America's business community may be organized to the development of efficient national leadership both political and financial. They contain, as it were, that creed, with the seamy side out.

## Business Democracy

**W**HAT is this business democracy that shines out so attractively from behind the scolding Mr. Vanderlip gives the whole business community for its catholicity of economic ignorance and irresponsibility from top to bottom?

If there is anything at all constructive in purpose, or in hope of realization, in admonition like Mr. Vanderlip's, it is in the possibility that American business men will more generally get the idea of the necessity of democracy among the business community—the realization that American business men will always remain individualistic and never submit to any kind of "benevolent despotism" in their business affairs, but that they can, and must, get together and secure certain general benefits that do not interfere with the keenest individual competition. This democracy will come along rapidly as business men continue to spread the idea that a merchant or manufacturer is a back number who can't see beyond his own business fence, who can't see that there are things in the great organizations the world is developing about which he must know for the sake of general prosperity and his own. It will come when a sufficient number of business men in the nation are individually intelligent enough in regard to national business conditions and community necessities to know exactly what they need and want; and when a sufficient number know clearly what they want, community of purpose is bound to come. This community of purpose, even if it be in a minority, will get what it wants when it is intelli-

gent enough and realizes its sense of responsibility. It will get what it wants in legislation wholesome for business, in political administration legitimately favorable to business. And it will secure what is even more important, business leadership by business men and by business institutions that will be adequate to the job of conducting great affairs which represent the co-ordinated interests of American business in national and international phases. The business interests of the United States will have reached this business democracy when we see the following:

*When we shall see the United States represented in the field of international commerce and international industry by great and efficient systems of oversea transportation and mercantile organization so powerful and so skillful that no other nation shall be able to get the world's raw materials for its industries on better terms than we or distribute its export products with any advantage in competition—*

*When we shall see corporations of ample resources in the way of capital and alert American brains, formed by the co-operation of manufacturers and merchants and bankers, carrying out wide-flung co-ordinations of different kinds of American business enterprise either in this country or extending over many countries, and by ingenuity in the combination of interlocking interests wresting success out of situations where it would not be secured otherwise—*

*When we shall see international banking for this country developed upon a world-wide scale, offering services of banking and of encouragement to our trade that are of quality matched up to the enterprise and mental resources of average business; conducting policies that show vision; every day bringing improvement into American banking methods that will be of advantage to American business; officered by men of American nationality and sympathies; and ready to go somewhat beyond the immediate prospect of the nickel in profits—*

*When we shall see the railroads of America profitable for their owners, through good and liberal management, and through the friendly exchange of ideas between managements and other business men, with mutual recognition of the relationship between good service and profit—*

*When we shall see, in short, the full development of successful operation of the central institutions of general service of the business community that represent the institutional leadership of American business in national and international affairs—*

*When we shall see, on the other hand, the recognition by American business men in every rank of the fact that they are responsible for the kind of business leadership as well as of political leadership that is measured out to them—*

*When we shall see them exercising the power they hold through the inherent organization of the nation's business—that is, through discrimination in business relationships, through the support of progressive banking leadership by means of their accounts, and through the direction of the investments they make—as part of the exercise of their responsibility in the business community, as well as in obvious self-interest—*

*When we shall see the mass of American business men well-informed about what is going on in the national and international phases of the nation's business; well-informed enough in the everyday machinery of commerce to understand good service and leadership by the financial institutions chartered by the public for the purposes of constructive business service; and exercising the power they hold so that they see that they obtain for America the leadership of vision and the service that enables America to "play our rightful rôle in world affairs"—*

*When we shall see the complete development of the voluntary institutions of trade association, exchange of information, and of organization to further the fine spirit in which American business men can carry on keen competition with each other in essentials and at the same time get mutual benefit in many kinds of coöperation—*

*When we shall see among the American business community the general recognition of the self-interested duty of all to cultivate a correct judgment of the right kind of leaders and the right kind of leadership in business and in economic statesmanship; and active support of organized means of disseminating practical economic information—*

Then we shall see a great business democracy in the United States so co-ordinated in purpose and in action through unanimity of opinion, shrewd leadership, and resourceful institutions of service, and so irresistibly powerful as that American prosperity at home and business prestige abroad shall develop in a way appropriate to what co-ordinated American business enterprise did at home and abroad when called to the war.

Then we shall see, it is reasonable to think, so effective a co-ordination of American community of interest as to make any "big business" consolidation for injurious monopoly, or for harmful restraint of trade, practically impossible. So that we might modify our laws and permit forms of beneficial co-ordination now forbidden. We ought to see a wholesome increase in the quality of economic statesmanship at Washington, perhaps also of the administration of the business affairs of the nation and of the communities. It is not impossible that the spirit of genuine community of interest might include the labor as well as the executive elements in the American business community.

It may be said that we already have some of these things. That is true, and it is an earnest of the inevitable realization of an American business democracy. But it must all be pushed to further development. We must be sure of the genuineness of everything. There is stage-money in circulation, and the American business community has historically shown its proneness to worship dignified graven images of ivory and brass, with cold, cold feet of clay.

## Institutional Leadership

THE time has come when the business community in America ought to find institutional leadership of a much more productive order than now exists.

Think of America as one industrial plant: We have the greatest aggregate of output of any country in the world, and our output is a large fraction of the whole world's production.

Our machine is highly organized for intensive, economical, efficient production of output of the highest quality. Without any formal kind of combination, simply by the spread of an American idea, our industries as individual enterprises dovetail in economy of materials and of processes: our enormous "key" industries—our "trusts"—supply the smaller special factories with basic materials at low costs otherwise unattainable; and among each other our manufacturing plants supply each other with by-products and materials, often effecting an economical utilization of waste substances; they also find mutual economies in making special parts, or conducting special processes for each other.

Then, out of the opportunity furnished by the size of our country—our 100,000,000 of prosperous people—we have developed in America the men who organize extensive campaigns of sale and distribution, with skillful advertising and many methods of stimulating the demand of consumers and the efforts of intermediate merchant distributors. We have developed the science of generalship over great organizations of manufacture, and of sales, and of combinations of the two. We have courses of education in the sciences, the arts, and the technique of every kind of production and business. We spend millions in research, and even invention is now conducted in million-dollar plants. Our railroads are part of our manufacturing and domestic distribution plant. We have scores of collateral agencies that stimulate or give specialized services in our great plant as a whole.

In 1917 America accomplished what Germany's best brains had not possessed the vision of seeing as even distantly possible. Whatever may have been the inevitable sporadic shortcomings, here and there, or the temporary mal-adjustments in the tremendous accomplishment of turning the whole strength of this nation's productive equipment to war, America's business community demonstrated to the world—and there is no other nation that failed to take notice of it—that when its power is coordinated to accomplish any national purpose, whether of military warfare or of commercial competition, nothing can stand in its way.



During a short period preceding the war, domestic and international conditions of trade permitted our machine to run smoothly and safely without any particular need for our national business community to concentrate its effort or its purpose in any more definite way than it did. The establishment of the Federal Reserve System was an important accomplishment in obtaining institutional service and leadership for the community; although it will take time for the Federal Reserve System to win the confidence of the business community and the community's co-operation in its leadership that will bring the fullness of benefit of the System as a means of co-ordinating the business community for its own economic self-control. It would have been better for everybody if some means could have been organized by which the railroads and other members of the business community might have been got together. But times were prosperous, and everybody got along.

It was all easy sailing, at that time, in our international relationships of industry and trade. Nobody took our competition for export trade very seriously, and the world's markets for the raw materials that are necessary to the life of every great na-

tion's industries were absolutely free to us. We obtained much from London. Our manufacturers hardly knew where many substances came from—substances for the lack of which they might have to shut down—it was so easy to buy in London, or Hamburg, and so much cheaper. We used London's banks to do our foreign banking. English and German ships delivered foreign materials to us, and carried out the exports with which we paid. These merchandising, banking, and shipping facilities were in those days freely obtainable by our business community on almost (but not quite) the same terms, as far as direct prices, rates, etc., went, as if they were American. We had practically no facilities of the kind. World-trade was on a basis of international business comity that was never before known, and will not again be known for a century at least. Of course England's business community profited substantially, as it honorably deserved to do, by its business acumen in possessing the national institutions of service, which gave English business institutional leadership in the world's markets, and collected tribute from the business communities of nations that used them. For a time we probably profited by taking advantage of their economies of service, but it is undeniable that, even before 1914, the time had come when we should have had such institutions of our own.

America must wake up to the fact that conditions in the international field are not what they were before the war, and that we face international competition organized upon lines of sharply-drawn purposes of control of raw materials, with the business of rival nations co-ordinated behind strong institutional leadership built up for action in every direction in which an opportunity can be discovered. Every power that exists in financial resources handled with skill, every power that certain forms of political control may give, is now being consummately handled with no concealment of frank economic nationalism, to get control of trade by exercising control of economies of production for trade.

The whole world is under search to-day for its sources of raw materials; development of these on gigantic lines is being planned; the old contrivances of import tariff discrimination, that handicapped rival nations' trade on its entry into single countries, are now being superseded by a discriminatory machinery of world-wide systems of export-tariffs on necessary manufacturing materials by which the manufacturers of a rival nation are given the handicap of higher production costs on goods for the markets of the whole world. By means entirely new to the former spirit of international commerce, trade competition on an extensive scale is now getting ready, and it may work its competitive purposes not only in the neutral markets, but may

reach with influence even into a rival nation's own home trade while its business community slumbers.

What is this institutional leadership of which our business community now stands in grave need?

The business community will always need the individual leadership of counsel and stimulative suggestion that it obtains from big men of public spirit, and from our multiplying sources of information and advice. But that is not sufficient to set in motion America's powerful aggregate of potential activity in an executive way. We need, to head us in the active service of our international business affairs, powerful corporations organized and equipped in every detail so that they may handle affairs on almost the national scale of bigness.

Our affairs in the foreign-trade field, touching imports, exports, transportation and foreign investment enterprise, are full of problems and opportunities that call for service-leadership of such institutions. There is not a doubt that American shipping can be made to pay the business community of America whenever some big-visioned financial institution effects the co-ordination of the interests that need American ships with shipping interests that are not water-logged with conflicting purposes. The problem of a secure supply of foreign raw materials calls for the same kind of a solution. Foreign countries offer splendid opportunities for groups of American business concerns to go in and develop a market impractical for any to attempt individually. Does it not seem as if we might have had such institutional leadership in the European situation?

It will not be at all sufficient for our need to have great corporations in the field if they simply putter around the world nibbling at little jobs that pay handsomely, admitting no fealty to the American business community. No banks, however loud they may talk of patriotic service, would come up to the standard of institutional leadership, should it ever happen, for example, that a government-coördinated business community such as Japan's could use them as the instrument of conducting a "bull" market in silk at the expense of America, using our much-needed acceptance-credit facilities to the amount of millions for *their* purposes, and enabling the Japanese Government to build up, in its controlled specie-banks here, a hoard of gold aggregating into hundreds of millions. Institutional leadership by banking institutions would be better illustrated in the patriotic resourcefulness of the British banks, which created a special system of credits and barter-currency in Eastern Europe for the benefit of British trade, and are meeting the problem of fluctuating exchange, not by making profits at the expense of the business community, but by offering an unheard-of thing in banking, insurance against loss to British merchants by currency depreciation.

There is direct connection between business democracy and the development of institutional service-leadership in national and international affairs.

The business community of the United States combines a weight of productive power, business ability in all its forms, and financial resources that in aggregate is unmatched by any other nation.

The business community furnishes the resources of all our financial institutions. It contributes, both by the deposit of its commercial capital and by the use of its good faith, in borrowing credit, the overwhelming majority of the resources of commercial banks. It is the savings of the business community that are used in other forms of finance.

It will always be a legitimate and necessary part of the economic machinery of this country and of the world as a whole that a preponderance of the business community's resources of surplus income and of credit must be turned over to financial institutions whose service it is to liquefy it all, transmuting it all regardless of its sources and of the particular individual interests of any part of the community into a general stock of investment capital or commercial credit. This is finance.

It will always be legitimate and necessary to generate economic progress that a large part of the general stock of investment capital and of commercial credit shall be intrusted absolutely to the discretion of bankers and financiers for handling. There must be supplies of credit in the market, available for commerce and industry on the usual terms of supply, demand and safety. Safety and the best profit obtainable must continue to be the ruling motives in the discretion of both commercial and investment bankers when handling a great volume of the community's stock of capital and credit.

It now appears obvious that the business community must find a way of securing another order of finance: one in which a sufficient portion of the general stock of capital and credit may be employed for the purpose of conducting the large-scale international operations that will give a return in benefits that are indirectly of much greater money-value in the end than the community obtains when its resources are used for the single purpose of direct money profits. This will probably be the leading development in "high finance" in the next few coming years. We have had our notable period of the formation in large unit-concentrations of individual business. We were afraid of it when it began. We have lived to see the general benefit of the great "key industries." Our position in touch with the whole world's business now compels us to develop further co-ordination. The business community will suffer if it does not secure the wider vision in its finance, to meet the bigger situation.

We will secure it. It would be easily possible to

give the names of a hundred shrewd and successful business men in this country who carry substantial accounts in certain banks that offer a service of liberal, non-remunerative kinds to American business, for no other reason than to support those services. They say so. Some of them do no foreign business of any kind. They say they do not require these banks' financial services at all. They represent a rapidly-growing realization of business democracy that will secure what it knows it requires, by the effective use of its financial power in support of institutional leadership which it thinks lives up to the new order. What if even it should be a fact, in reality, that the very services it admires are not all that they should be?

It would still be an undeniable evidence that America is progressing steadily to the point in a genuine democracy of business where so large an element among business men will have a good practical grasp of the everyday machinery of national and international business affairs, and so vivid an appreciation of their community of interest with the whole community, that their financial support and the benefit of their ideas will begin to tell in the securing of a better and better institutional leadership.

The time may not be ten years away when the live majority of American business men in every line will take so active an interest in the maintenance of a strong general basis of the prosperity of all, and close continuity of exchange of ideas and opinions between them and the institutional leaders of the country will have developed so effective a mutual reaction between community and its leadership, that our Federal Reserve Board, acting in harmony of opinion with big men at the head of our most powerful institutions of international finance, will be the executive center of an interchange of practical information, of capable judgment of affairs, and of general reliance upon its disinterested integrity and wisdom that will enable this nation's business community to act with unanimity and self-control that will give America the power to steady a world crisis.

## “Tying-in” Finance with Enterprise

**A** MAN who is an authority on real estate once said that the Woolworth Building in New York could not possibly pay as a straight office-building proposition. He may have been mistaken about that, but his explanation of how it *would* pay is plausible and contains a good illustration of the working of a principle in large-scale business co-ordination that is coming in. He said that the great building's loss as a straight real-

estate enterprise was more than paid for by its value to the general Woolworth Stores enterprise as an advertisement. There is not a “skyline” post-card of New York that fails to advertise the Woolworth Stores, and it is said that the post-cards and other pictures of the building that are sent around the world without a cent of cost to the Company number into the millions every year.

This is a simple illustration of how a business enterprise can be made to pay if it has collateral sources of benefit or profit that can be capitalized. It is remarkable how many instances can be found where two independent enterprises, or groups of several enterprises, benefit each other by working together, sometimes just by their mutual presence in the field, to the extent of increasing profits or of making one or both pay.

The Imperial German Government is known to have employed this principle extensively in the exercise of its general control over German trade. There are many evidences of its having directed groups of industries in a “mass-play” upon some neutral market, even at a loss for some of them which was made up by subsidy, in order to get the benefits of mutual activity. Something of this kind in a big way is being organized by the British Government in combination with financial institutions and British business concerns in Eastern Europe. One of the finest examples of co-ordination by private business on its own account, by “tying in” different interests that would react in benefit upon each other, was the development of German shipping as a result of a combination of interest between certain shipping concerns and the merchant community of Hamburg. These interests declined Government subsidy, preferring to work out successful economies of their own.

Hamburg was a sales-department for German manufacturers and a market-place for Baltic trade. Its merchants wanted a transportation system for their special purposes. Its bankers saw their interest in the idea. German manufacturers were shown how the ship lines would benefit them. They all went in for shipping. It was made to pay directly and collaterally. Whenever a market anywhere in the world looked good, or raw materials could be obtained, or German bankers saw an opportunity for building a public-service enterprise as an investment, the merchants, the ships, and the bankers all arrived at the same time. The merchants did not have to wait for ship-owners to see their profits through a keyhole with both eyes. The shipping interests knew that they would have the full support of Hamburg's business.

Captain Dollar has been an American apostle of co-operation in foreign markets. He has time and again shown how a group of enterprises can mutually stimulate the creation of a great business. He

has told how building a railroad in China, and having steamships crossing the ocean to it, developed an immense interior production of oil that helped China, made the railroad pay, gave business for the ships, kept merchants busy, and furnished material for manufacturers. At the same time it induced export business. It is indefinitely working out co-ordinated enterprises such as this and "tying-in" the interests financially, that great round-the-world operations are being organized. Interests working with Spain as a center are now organizing through a strongly capitalized corporation the development of bonanza cotton culture in Northern Argentina and Paraguay for supplying a group of European manufacturers. They will have collateral activities that will pay as well as the cotton.

A very fine example of institutional service-leadership in organizing co-ordination in extensive phases was given by the Guaranty Trust Company of New York when the "Webb Law" became an Act. Under the guidance of this institution, which was in a position to add financial strength wherever needed, as well as expert advice in foreign-trade organization, a considerable number of "Export Associations" were formed for combination activities in the foreign markets.

Under the "Edge Law" it is now possible to get together especially effective co-ordinations of industry, commerce and finance. Groups of American manufacturers will be able to join in the incorporation of foreign enterprises, like railways, electric power, light and traction companies, factories, etc., in situations where such will pay, and "tie in" by this employment of their capital a ready market which they practically create for their products, with a continuing export business in supplies which these foreign enterprises will need. Much collateral business invariably follows such foreign enterprises.

The interested American concerns would presumably control such foreign enterprises through ownership of stock, which they would take pro-rata, selling some of it to American investors not directly concerned in the profits of construction and export. This either direct, or by united issue of some security for which they would jointly vouch.

The French used to have a saying, "Every franc a bullet," meaning that every franc of French money loaned or invested abroad should be loaned or invested upon terms that brought not only a return of interest but of trade or of preferment for French interests.

Every dollar of profit that an American business enterprise brings back from foreign business creates a new opportunity for profit in every other American business. The co-ordination described above ties-in the benefit of the use of the American business community's financial resources to American

trade and helps the bringing back of more dollars of profit from foreign business. No American business can busy itself profitably abroad without giving collateral assistance to other American business at work near by. The whole American business community almost invariably benefits by it all.

American business democracy connects with support of such conditions of foreign business and finance and with support of institutions that lead the general business community in finding and organizing the opportunities for this co-ordination in the foreign field.

There are ways in which the idea of direct tying-in of production, trade and finance might be carried out in domestic affairs of nation-wide scope.

## Our "Economic Illiteracy"

IT has been said *ex cathedra* that the people of the United States are "economically illiterate." Which is, of course, a pleasantry—an artful distortion of the fact that the men of our business community are inclined to attend so exclusively to individual business that the community does not give the active attention to the national aspects of its own business that individual and community interests need in the year 1920 A.D.

There is, as a matter of fact, no other country in the world where business men as a general thing are able to talk more intelligently about the everyday developments of big and little business in its individual or its national aspects.

If we could take a census of our business community in America—a kind of civil service examination of everybody—we might find the majority of us woefully "illiterate" of the theories and the dogmas, and maybe we couldn't repeat the classic formulas of economics in their literary wordings. But I think the number of intensely practical, and successful, men in America who are "up" in economic science in its most formal dress is underestimated—it is obviously underestimated by anybody who might say in seriousness that we are economically blind. And the number of shrewd men in all the walks of our business life who have secured, out of the school of years of experience with that wonderfully complex machinery of everyday business that a man in America must get fairly familiar with to succeed, so comprehensive and so practical a grasp of the living facts about buying and selling, production, speculative influences, manipulation, transportation, prices, money and credit, banking and financial machinery, stocks and bonds and investment, loss and gain, cool calculation, personal preference, whim, and every other element of human nature that enters into the reality of real business—the number of business men in every walk of life who have a comprehensive grasp of all these and their reactions on

each other, a familiar acquaintance with business in its localized forms and in its national organization, and shrewd judgment in successful use of their knowledge every day in the year, probably runs into the hundreds of thousands, in the United States.

Economic theory, dogma and classic formulation is vain without the practical knowledge these men have. The world is about as safe as it will ever become, short of the millennium, for a business democracy that knows the common data about the world's machinery of business sufficiently well to make up its own mind when new theories, or old theories set to new tunes, come up for judgment, in the development either of the nation's political economy or of the nation's non-political leadership.

The best kind of education in economics is the combination of familiar acquaintance with the machinery of business in all its phases—including its national and its international organization and the operations of political economy—and a "background" of as much scientific theory as a man can find it practical to obtain.

To those who have been in a position to "feel out" the interest of the American business public in various forms of economic information, the growth of public demand for it in ten years has been notable. It is not "wonderful," for it is exactly what was to be expected. It is the absolute antithesis of "economic illiteracy" or "economic blindness." It is consonant in every particular with the "pep" of the get-ahead individual American and of the American community. It is fairer to think of the business men who are not so interested as somewhat backward than to underrate the advance of the average.

There is in America a development of the technical journalism of the particular trades, industries, and professions, that is unequaled either in volume or quality anywhere else. This is highly-specialized economics that contributes in the most wholesome way to the grasp of general economics. The "trade associations" of America exist primarily for the purpose of exchange of information; they have developed in the American business community the sense of solidarity in which men who work under the keenest stimulation of individualism in business are nevertheless the most chivalrous of active competitors among each other, and enter with the finest *esprit de corps* into co-operative activities of various kinds. There is no better lesson in economics that can be learned than this. The spirit that has grown up in this way is broadening into the general working mutuality of interest throughout the nation in all its varied activities that is bringing the common solidarity of interest, purpose, and responsibility which is true business democracy and the ideal of political-economy.

American universities and colleges are turning out

every year classes of young men with a working knowledge of scientific business organization unknown a decade or more ago. Excellent schools for systematic study of business organization with general economic grasp are ready to give men in active business the benefit of this kind of education.

Many leading newspapers have developed financial and business departments, and carry in their general news pages and editorials the comprehensive theory of economic and political events. Popular periodicals have taken up economic subjects in their sketchy style of treatment, and are stimulating wider spread of popular interest.

The Government supplies an immense tonnage of literature on general and special economic topics. It furnishes the data for a great quantity of interpretive material put forth by private institutions for advertising purposes. Our banks distribute to hundreds of thousands of Americans among all classes the circulars that follow from week to week the current development of business. These circulars are of a very high order of merit and of benefit. They are prepared by men of expert attainments in the special field of economics covered by them, and though issued by institutions that cannot be expected to hold a disinterested position in regard to financial developments, are almost invariably the output of publicity departments somewhat separated from the activities of the functional executives, and to the extent that they go in discussion of public affairs, are authorities, sound and conservative.

America has been lately developing a current economic literature. We have some strong periodicals that are devoted almost exclusively to finance, and are virtually stock-market or bankers' trade journals. We have also several excellent small economic periodicals whose editorial authority is of high order; they do not pretend to cover the field of political economics in a comprehensive way, or do not succeed in doing so. We have a growth of literature on the fringe of the economic field: devoted largely to the emblazonment of personal achievement. We have an enormous output of cheap rehash, "write-up," and shady material. An unfortunate fact, which foreigners take as an indication of a half-baked state of business intelligence in America, is that so much is given currency in America—often in good newspapers, and emanating even from institutions regarded as original sources of economic information—that is grotesque and misleading, fulsome exaggeration, or important fact palpably mis-handled and dressed-up by hack writers.

An institution of service-leadership much needed in the American business community is a periodical organized on a basis appropriate to it. This should not be on a haphazard basis either as to financial resources, breadth and quality of information and

editorial interpretation, or editorial organization to deliver the goods. It should cover the current developments of business and of political economy in the United States and in the whole world. There should never be any doubt of the completeness, the accuracy, the conscientious liberality of treatment, of every issue.

It should co-ordinate and complement the trade journalism, the financial news, the newspapers, and the journals of political opinion. It should be not only a review and complete exponent of the world's economic progress, from fortnight to fortnight, but it should be a part of the constructive, forward-building organization of the business community. It should be an exponent of the business initiative of the community, particularly in phases of institutional leadership and democratic co-ordination of the community. It should be big and broad and just, so painstakingly conscientious in its research into the facts of every moot subject of national economy that it will command the respect of both sides of controversial questions.

It should present a faithful picture of the whole working machinery of the national in the international industry and trade, steadily building up the practical knowledge of American business men in the intricacies of a genuine knowledge of international business in all its forms, for of such is the true grasp of economic judgment.

It should not scold, nor smatter with ignorant adulation where it is not deserved, but should stimulate both the community and its leaders to progressive action by showing to the public the possibilities of every situation. It should be cheerful, with dignity of earnest purposefulness. It should be made intensely interesting, not by distortion, nor exaggeration, nor flippancy of language, but by the wealth of human interest that is contained in the simple story of the commerce and industry of the nation and of the far parts of the world.

It ought to complete the whole range of an American business man's seekings for information: politics and international diplomacy as these relate to business, finance, the stock-market, banking, efficient investment, the markets for materials, speculative activities of all kinds, the railroads and shipping, trade at home and abroad, development of enterprise, insurance, the statistical barometrics of current and forward-looking developments, sociological trends of economic significance—no element of value should be neglected.

It should not be a mere collector of news items, nor a magazine of haphazard articles of an interesting nature. It should be organized so that it shall glean the world's news, but it should take off only the cream of significant development and tell these with interpretation and background of history.

It should not be filled with cheap statistics, but should develop new sources of needed statistical fact and present a thoroughly analyzed product of value.

In short, it should be the highly-finished, highly-concentrated product of an editorial organization built up for efficiencies as our business organizations are when they are typical of American energy and success. It should be the means by which the busiest man may secure a reliable grasp, at the least expense of time, of the essential economic facts of current business, a means of co-ordinating in their right places the news and the opinions and the descriptive elaborations of economic news which he may receive from the many sources now available for his casual notice.

## A Definite Proposition

A DOZEN years of unusual opportunity for learning what the American community needs, wants and will buy, in the way of periodical literature that is devoted to the liberal information of the public on economic, political and business subjects, has convinced me that a periodical such as has just been described can now be successfully launched on the large-scale basis of enterprise.

It has got to measure up to a big idea. Its *soul* must be big. It must have an editorial organization bigger than the one-man scope of editorial creation of a small financial review. It must have an editorial organization planned to put across so big a product as to command a very much larger circulation than any financial periodical now has. It must be made and managed so as to reach a big business, so as to make the costly production pay on a subscription price appropriate to a large circulation.

It must have sufficient resources to begin with which will permit of the strong editorial, circulation and advertising staff necessary to make it the editorial success and the business success that will carry the big idea.

It is necessary to say something about my own capacity for the organization of this greatly demanded work. My own contribution is going to be the vision of the product and the organization necessary for it, also some skill in the technique of periodical publication, and a considerable command of economic judgment of the value and significance of business and political news. The editorial organization and the product are both going to be away beyond my personal measure in every way.

I am going to use all the experience I have, all the knowledge of every kind focussing on this enterprise, in organizing a group of men to do in every particular the *nearly perfect* thing. This editorial organization itself is to be the result of several years of close observation and of trying-out of ideas. I am going to get an *organization* that will create the ideas. This periodical will not be any clever, precocious, or individually-slanted work of one man; it will be big, sane and human, with a normal-minded, wholesome, cheerful editorial personality. Every great publication has always had a dis-

tinct editorial personality. In modern journalism this is organized

I am going to organize an editorial personality for this new publication that will appear in this way: It is going to have so complete command of what is going on over the world as to command your confidence in it as the means of systematically keeping you informed. It is going to know what it is talking about, through the most thorough and conscientious processes of finding out, that it may convince you that you can form your own opinions upon what it tells you. It is going to hold so scrupulous self-control over the individual prejudices of its editors that you will know that no good point on any side of a more-than-one-sided question is withheld from you; but we will not be so insipidly impersonal as not to say our opinion out strongly whenever we feel like it.

I am going to organize to make it attractive and readable. It will be typographically "smart," in a businesslike suit of clothes. It will be illustrated, to widen its appeal and make it a "family" periodical. It will be readably written. The latter is to be *organized* for. The work of the great world is full of human interest and appeal to the imagination. It has its pictures, its wonders of big machinery, its seven seas and white sails of far-away commerce. Many an article of economic value representing weeks of research is made prosy and tedious in the telling. My own, for instance. But editorial organization can combine earnest thought with vigorous visualization in good, terse, well-arranged form. Some of the human interest may be let in. But the information must go first, the underlying seriousness must not be sacrificed.

It will have a range covering every significant development of business, national organization and political economy that touches American interests. But it will be kept in small bulk through exercise of editorial skill, for the saving of busy men's time and for economy of publication. It will not be bulked with rehash of material which newspapers and other agencies have already published in its best form.

The periodical I have in view should have your support for these three reasons:

1.—It will be the best periodical for your own convenient satisfaction in following the affairs of the world.

2.—It will be a constructive institution for the furthering of American interests.

3.—By its character of liberality and dependability in the presentation of the facts on all important questions affecting the business life of the country it will exert a strong influence for a sane, constructive public opinion in this country.

## The Personal Equation

I WILL say that my own preparation for this work began with a college education. It was continued in two years of business discipline in a large mercantile establishment, followed by eight years of newspaper experience centering in New York.

The newspaper work, after the usual beginner's apprenticeship, which takes him from the tenement to Fifth Avenue,

and shows him about every aspect of life in the city, led into politics and finally to financial journalism in Wall Street.

It gave the occasion for meeting, and in several instances for making acquaintances that lasted for years, with the big men of finance; with merchants and "captains of industry"; with national statesmen, including every man who has been President since Harrison; with eminent lawyers and in particular the men who had most to do in the period of concentration when America's "key industries" were merged into units of adequate size; with professional men and educators; and with hundreds of men who did not stand forth so prominently but were strong and practical and shrewd in their places, and contributed much in ideas and in executive detail to the work of the business community and to the nation's progress.

It led on into the field of periodical journalism. This is a different field. Brilliance counts heavily in the success of an individual writer, but in management of executive editorship and of the business of publication judgment must also count that comes from many experiences. It is something like the seasoned judgment of the merchant, as compared with the "pep" of the salesman.

My experiences in periodical journalism have taken me through an intensive training in the creative management in pretty nearly every phase. I have been associated with periodical publication undertaken by successful men that failed through mistakes of inexperience. I have used those expensive experiences very successfully later on. My work has covered the creative oversight of editing; I have had to master the technique of typographical "make up" with illustration to the point of originating new ideas in attractive printing and binding with respectful reference to cost and befitting "tone"; I have had to master costs from text to distribution; every detail has at times been my direct work, in the initial stages of publication; not many men have had so complete a training for the commission of co-ordinating the creation of a new periodical.

I have served in subordinate executive capacity under four different editors-in-chief of exceptional capacity or brilliance, each with his own ideas of editorial policy.

In 1908, one of the leading newspapers of New York began the development of its service of business information from a basis of stock-market gossip to the broad view of fundamental developments over the nation of full economic significance. I was invited to undertake the editorship of the financial supplements published by it. In that work we not only created a new financial periodical which in one year reached an independent paid circulation equal to that of the then leading publication, but became the most widely-quoted periodical of its kind, both here and abroad, that America produces.

When the National City Bank of New York in 1914 began its program of expansion into the foreign field, I entered as one of the first members of its Foreign Trade Department and brought out "The Americas," a monthly which at first devoted itself exclusively to publication of trade description about South America, but soon broadened to cover the inter-

national trade of the whole world, international politics, and foreign economic developments everywhere. It did not touch home economic conditions, excepting such as were definitely connected with our national foreign relationships. It contained also practical articles for the information of American business men in organizing to do foreign business.

"The Americas" was a unique success. Its leading articles, on subjects of international commerce, national organization in commerce, and American possibilities in commerce, represented pioneer research in a subject new to America, and they were widely quoted in America and even in Europe. The London "Times" called "The Americas" the most informing periodical on commerce that was published. It was distributed gratis, but its lists were strictly limited to business firms, influential individuals, and institutions. Probably 70,000 persons have asked for it, and thousands wanted to pay a subscription price to obtain it. Last year, when the lists were not so strictly guarded, the distribution by specific request quickly ran up to 37,000.

The distribution was frequently pruned by sending out cards for distributees to sign if they desired it continued. Invariably 75 per cent continued. Once, to test out whether it was actually being read, we hid the return-slip among the reading pages. Out of 18,000 then mailed, over 12,000 slips came back; and among those who wrote special letters of appreciation were 1185 of the leaders of American business, and many important men of business and of state affairs abroad.

For five years I was an integral part of the foreign-trade service organization of the bank, specializing upon organization for foreign business, and taking part in many conferences, including some for the formation of Export Associations under the Webb Law. Both in the bank's connections and out of it, an opportunity of watching the worldwide developments in commerce and in economic diplomacy during the four years of the war and after was afforded that is not often to be secured.

We are coming into a period of intensely important further development internationally. There will be many subtle developments—there are already—the full significance of which will probably not be caught unless they are seen in the light of pre-war and war-time commercial policy and organization among the nations.

Last year I was sent on a six-months' trip through South America making general economic, social and trade observations—the first of a series of trips covering the world then planned for the purposes of foreign-trade work and "The Americas."

I have contributed a share in the last ten years' development of practical business information in this country, information to enable men of affairs to judge current business trends with certainty. The last five years have given me an exceptional opportunity for learning where the important information about international business can be obtained, and what it means. One purpose in this proposed periodical is to develop the national and the international together, with their reactions upon each other.

## How to Finance It

I PROPOSE the financing of the periodical by successful and public-spirited men in the business community as follows:

\$250,000 necessary for preliminary organization and to carry the publication through the period in which successive issues cannot pay expenses, to be raised progressively as needed by the advance sale of profit-sharing perpetual subscriptions.

Each profit-sharing perpetual subscription to be sold for \$50, entitling the holder to receive every issue of the periodical for so long as it shall be continued; also to share pro-rata with all other perpetual subscription holders in one-third of all the profits of the enterprise and in one-third of all tangible and intangible property or value accumulated in any way in connection with the enterprise or services established as a by-product of its organization.

The sale of profit-sharing subscriptions to be discontinued whenever the publication reaches a paying basis, all subscription holders as a group to participate nevertheless in full in one-third of all profits.

No subscription to be issued excepting for cash at full price.

No sale of the magazine or its capital properties to be effected without consent of the majority in interest of all subscription holdings; all receipts of any such sale to be shared in on the same basis as profits are shared in. All profit from services or enterprises conducted as by-product of the main publication in any way to be included as receipts, or earnings, of the periodical itself, for purposes of profit-sharing.

One-third of all profits of every kind to be shared in full by the employees of the periodical. One-third of all properties to stand, by some feasible method of allotment of interest, in the names of continuing employees, including such as may be regularly retired after years of service or for disability, and including the estates of employees dying in the service of the enterprise.

My own interest in property and profits to be confined to one-third plus a salary for functional services not to exceed \$10,000 a year, but without any share in any other manner as an employee, excepting as remuneration for legitimate expenses incurred by me in the business of the periodical.

The interest of subscription holders to remain in perpetuity, to be freely transferable, with the privilege of having the periodical sent any other person or persons as desired, except that any additional expenses of mailing to foreign addresses shall be payable to the publisher.

It will be obvious to practical men of affairs that this simple contractual arrangement for furnishing the capital for an enterprise which has no tangible property is in reality much safer and more workable than incorporation and issuance of stock.

I have outlined in detail the national conditions that call for a great, strongly initiated organ of systematic information in this country. I believe that the organization and the periodical that I have planned will become the strongest thing of its kind in the world. I know of no better way than this of putting it across—it is the only way.

I believe that the strongest appeal in the proposition, to the men who will receive this pamphlet, will be to their pride as American business men. If by the frankness of statement here, I have aroused faith in this proposition as a means of forwarding American business democracy, you will support this enterprise for that reason alone, with the primary wish of devoting a reasonable amount of money to the forwarding of it without regard to any other satisfaction in it.

It will be an added satisfaction to receive a certain dividend in the shape of the periodical itself, which, at present indication of costs, will be equivalent to 7 per cent upon the investment, from your standpoint.

In the case of men in executive management of large business concerns, the suggestion is made that 10, 20, or more of these perpetual subscriptions can be used to good purpose for sending to branch managers, foreign correspondents and customers, as a regular means of systematic information.

I think it absolutely legitimate to say, to men of your business judgment, that I believe the periodical will be a splendid business success. There are fully 600,000 persons in the United States, to-day, who would be good prospects for the sale of an attractive, informing publication of this kind. It should be a great advertising medium. And granted only that it succeeds, it should pay handsomely. If it should reach a paying basis within a few months, and this is entirely possible though not prudent to anticipate, these profit-sharing subscriptions will prove to be instruments on the order of the original ventures in Mr. Ford's automobile business.

America ought to have such a publication as this.

You personally need it.

It will become a great educational force in the business community.

It will have a very strong influence for intelligent public opinion on business questions.

Its cost to you is moderate.

The profit-sharing feature of the plan ought, in a few years, to return a good part of this cost to you every year.

**FREDERICK TODD**  
10 PARK AVENUE  
BLOOMFIELD, NEW JERSEY

MSH 21862

**END OF  
TITLE**